

Minutes of Audit Committee Regular Meeting of October 5, 2015

One Twin Pines Lane

REGULAR MEETING, City Hall, Suite 360

CALL TO ORDER 2:03 P.M.

ROLL CALL

COMMITTEE MEMBERS PRESENT: Violet, Reed, Lieberman

STAFF PRESENT: Finance Director Fil, Deputy Finance Director Lazzari, City Manager Scoles, Management Analyst Voelker

OTHERS PRESENT: Member of the Public, Mark Wong, Principal, Maze & Associates (Invited); Cody Smith, Supervisor, Maze & Associates (Invited)

ORAL COMMUNICATION/PUBLIC COMMENTS

Tim Strinden, Belmont resident, requested follow-up from Director Fil on an information request he sent by e-mail. Director Fil stated that Mr. Strinden's request has been responded to.

CONSENT CALENDAR

ACTION: Moved by Committee Member Lieberman, seconded by Committee Member Reed, the June 2nd regular meeting minutes were noted and filed.

OTHER BUSINESS

Fiscal Year 2015 Audit Results

Director Fil introduced the item, stating that the City is responsible for producing the financial statements, and the independent auditor provides an opinion on whether the information is fairly presented. He pointed out that of particular note in this year's audit was the implementation of new requirements for the City to report CalPERS pension liabilities (GASB 68). He also spoke briefly on the lingering challenge of the deferred maintenance of infrastructure, alerting the Committee that, if not addressed, could destabilize the City's General Fund in the near future.

Deputy Director Lazzari began her review of the FY 2015 audit, noting that the General Fund ended ahead of estimates and with significant growth. Revenues came in stronger than anticipated and supported funds needed less support. She continued with a concise review, noting that the big change this year was the reporting of pension liabilities at \$25 million. Discussion ensued on the Fire Department's pension obligations. Deputy Director Lazzari pointed out that the Belmont Fire Protection District (BFPD) fund balance has also increased as expected.

Principal Mark Wong began his required communication to the Audit Committee, noting that his team tested for internal controls during their interim audit in order to prepare for GASB 68. He

reviewed the Memorandum on Internal Control and noted that an unmodified opinion was issued, reporting no material weaknesses or significant deficiencies found in this year's audit. He pointed out each plan's share of pension liabilities as reported. Discussion ensued. Principal Wong noted that the City will have to plan for the future to make sure the obligations are sustainable.

Director Fil alerted the Committee that new requirements will be coming to do the same type of reporting for medical benefits (OPEB), expected to be implemented in FY 2018 (GASB 75). Brief discussion ensued.

Principal Wong noted to the Committee that there are a few new accounting standards expected for next year, but they will have very little impact on cities and he doesn't expect any big changes. He also reviewed the Measure A report and noted no compliance findings.

Committee Member Lieberman inquired as to how Belmont's regular custom of receiving unmodified opinions compares with other cities. Principal Wong noted that, in general, Belmont is above average and is one of the top performers. He added that Belmont staff is always very prepared and responsive, and consistently show little to no issues with internal controls. Principal Wong also noted that Belmont's OPEB financial position is very healthy.

In response to Chair Violet's offer, Principal Wong stated that he saw no need to meet with the Audit Committee privately to discuss matters of concern.

Maze & Associates thanked staff, in particular Director Fil and Deputy Director Lazzari, for their hard work, responsiveness, and for making the audit process run so smoothly in order to issue the CAFR in such a timely fashion, despite the complex GASB 68 implementation.

The Audit Committee agreed that the CAFR and all related reports were noted and filed.

Tim Strinden, Belmont resident, commented the unfunded liability amount included in the Transmittal Letter was overstated.

Consideration of Draft Audit Committee Annual Report

The Committee reviewed the draft staff report provided by Chair Violet. Committee Member Reed asked if there should be special mention of the OPEB liability in the staff report, to which Director Fil responded that it is already included in the Transmittal Letter, which is an attachment to the staff report. Committee Member Reed recommended that Chair Violet include a note in the report that the OPEB liabilities are a "restatement of existing liabilities". Chair Violet noted the recommendation and stated he would take it under consideration.

Tim Strinden, Belmont resident, provided his opinion and rationale stating the annual report should not be approved.

ACTION: Moved by Committee Member Lieberman, seconded by Committee Member Reed, by unanimous voice vote, the annual Audit Committee report was recommended for approval by the City Council.

Financial Policy Updates

Director Fil gave a brief update of the City's financial policies. He explained that the financial policies are part of the City's governance and are used as a guide in following best practices. They include best practices and advisories from the Government Finance Officers Association (GFOA), the City's Investment Policy, and the City's Procurement Policy. Director Fil clarified that the financial policies are not prescriptive or required, but that they do serve as a standard by which a best practice city, such as Belmont, endeavors to follow.

Director Fil distributed a memo to the Audit Committee and explained that all newly published and updated GFOA best practices and advisories, which are being added to the City's financial policies, are incorporated into a list in the appendix to the memo for the Committee's review. Staff will update the City's website accordingly. Discussion ensued.

ACTION: Moved by Committee Member Lieberman, seconded by Committee Member Reed, by unanimous voice vote, the Audit Committee recommended inclusion of the Updated Financial Policies in the Annual Audit Committee Report.

COMMITTEE UPDATES AND STAFF ITEMS

Meeting Calendar

The Committee noted that date and time of the next scheduled meeting in January is to be determined.

ADJOURNMENT 2:59 p.m.

**Thomas Fil
Finance Director**